

Appendix 5- Economic Development Administration

Note 1: EDA Performance Measures

EDA performance measures focus on long-term outcomes that document the long-term results of EDA investments in distressed areas. EDA projections for the long-term outcomes are based on systematic program evaluations conducted by Rutgers University. For example, FY 2001 grants for construction and revolving loan fund projects are expected to create or retain 59,016 jobs, and leverage \$1.99 billion dollars in private sector investment by FY 2010.

EDA has developed a reporting system to track long-term outcomes (e.g., job creation and private sector investment) reported by grantees over a period of years following grant award and project completion. FY 2001 grantees will report on program outcomes in FY 2004, FY 2007, and FY 2010.

Graph 1 illustrates the number of jobs expected to be created from fiscal year 2002 to 2010 as a result of public works and revolving loan fund grants awarded in fiscal years 1999, to 2001.

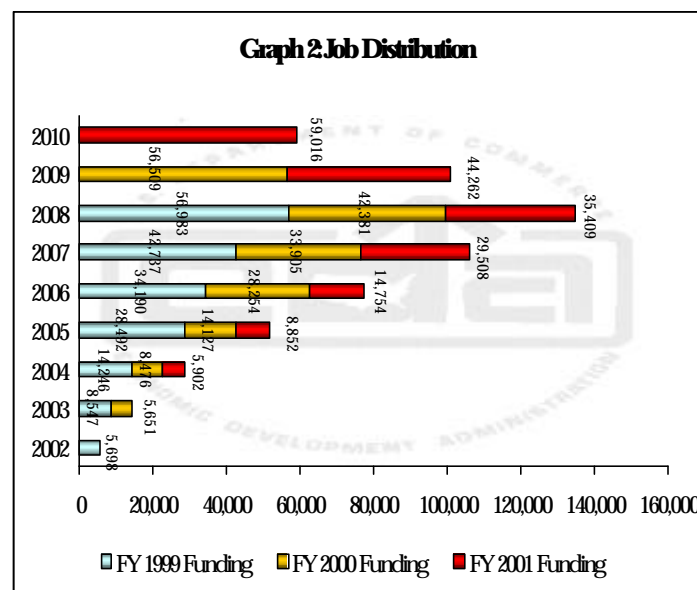
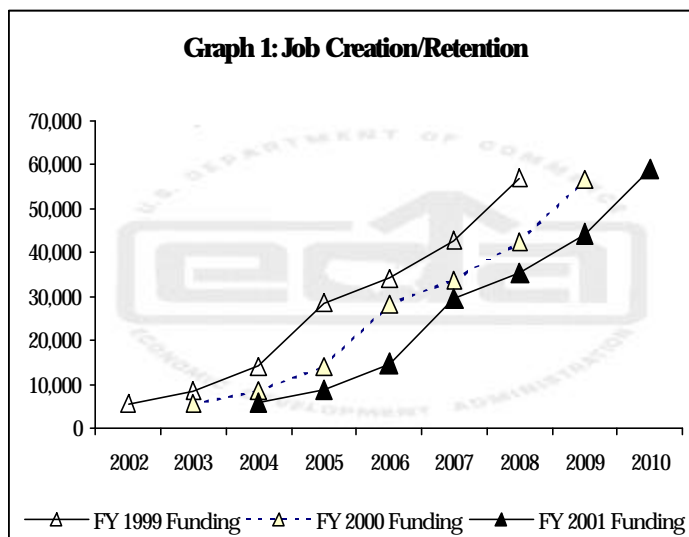
Graph 2 illustrates a snapshot of the number of jobs that will be reported from FY 2002 to FY 2010.

In the interim, EDA is conducting pilot reviews of earlier construction and revolving loan projects (i.e., FY 1993 grant awards) to validate projected targets for FY 2001, and to train EDA staff and grantees on valid methods for reporting and verifying outcome data.

To supplement the long-term measures, EDA had developed a set of interim and process measures that can be used by managers on a regular basis to set targets and track performance in critical areas that affect program outcomes (e.g., targeting investments in areas of highest distress, and improving the quality and efficiency of EDA assistance).

Note 2: Pilot Reviews of FY 1993 Construction and Revolving Loan Fund Grants

During fiscal year 1999, EDA worked with Rutgers to conduct a pilot review of 58 construction projects and 44 revolving loan fund projects approved in FY 1993 (six years ago). EDA used the pilot to provide extensive outreach and training for EDA grantees on valid reporting methods and trained EDA staff on methods for verifying data reported by grantees. The pilot established a national performance team involving EDA grantees and national organization to oversee the pilot, and to provide consultation and feedback on EDA performance measures and reporting requirements. The following is a summary of findings comparing the two Rutgers studies:



Rutgers Summary Findings for Construction Projects

	GPRA Pilot Projects Results (1999)	Rutgers Project Results (1997)
Creation of permanent number of jobs	100%	96.1%
Leveraged Private Sector Investment	98%	84%
Job Cost Ratios	\$3,445	\$3,058
Private Sector Investment	5.62 to 1	10.08 to 1

Rutgers Summary Findings for Revolving Loan Fund Projects

	GPRA Pilot Projects Results (1999)	Rutgers Project Results (1997)
Creation of permanent number of jobs	95%	96.1%
Leveraged Private Sector Investment	95%	**
Job Cost Ratios	\$4,107	\$3,747
Private Sector Investment	6.25 to 1	2.67 to 1

Rutgers GPRA Pilot (1999) Conclusions:

- Virtually all of the construction and revolving loan fund projects achieved EDA's objective of providing communities with the necessary infrastructure to expand their economic base and existing job base
- EDA public-sector economic stimuli created private-sector jobs at high levels of success and low levels of costs
- The results found in the GPRA Pilot Project (1999) results are very comparable to Rutgers Project Results found in the earlier Rutgers study (1997)

Note 3: Indian Economic Development Program Initiative

Native American tribes, for the most part, exhibit extraordinarily high levels of distress. For the four Native American projects evaluated in the 1997 Public Works and Performance Evaluation by Rutgers University, the following is a comparison of Native American community labor force and social economic distress characteristics to the National Median:

- Median per capita income for the Native American communities were 55% below the National Median
- Unemployment rates for Native American communities were 200% above the National Median
- Percent of Native American population in poverty were 155% above the National Median

For FY 2001, EDA expects to use a significant portion of the funds dedicated to the Native American Economic Development Program to fund basic infrastructure projects, distance learning and skill training facilities. These types of facilities provide fewer permanent jobs, but are critical components in building a strong economic base for future economic development enterprises. Additionally, these types of infrastructure facilities are needed before any community can move forward to the next level of development and economic prosperity. It has been EDA's experience that most Native American assisted projects provide few direct jobs, therefore a higher cost per permanent job created or retained per EDA investment. In the 1997 Public Works Program Performance Evaluation by Rutgers University, Native American projects exhibited a much higher median cost per job to the other projects surveyed in the study. The performance targets for job creation for the Native American Initiative derived from the results of the Native American projects in the Rutgers Study have been appropriately modified to reflect these issues.

Private investment for Native American projects is almost non-existent on reservations due to the fact that private lenders are unable to secure the customary mortgage on a financed facility to serve as collateral for their loans. Given the small market size of most Native American tribes, private enterprises generally do not envision the potential for an equitable rate of return on its investment. Of the four Native American projects that were included as part of the 1997 Public Works Program Performance Evaluation by Rutgers University, there was no private investment for any of the Native American assisted projects. For FY 2001, EDA anticipates using some of the \$14 million set-aside for revolving loan fund projects in Native American communities to encourage and support private sector investment. The proposed performance target for private investment provides a goal that is realistic of the investment climate in Native American tribes.

Note 4: FY 2001 Mississippi Delta Initiative

This initiative is part of the President's Mississippi Delta Initiative for FY 2001, which includes the creation of a new Delta Regional Authority designed to target funding and resources to economically distressed communities throughout the Delta. EDA will work closely with the new Authority in the delivery of its support to the Delta area. The requested funds will be used to provide technical assistance, construction, and business financing, including revolving loan fund (RLF) grants. These tools, when applied individually or in combination, can be tailored to meet the special development needs of Delta communities. To implement the recommendations of *The Mississippi Delta: Beyond 2000*, EDA will provide assistance to support long-term job creation, capital access, disaster mitigation, and construction of vital infrastructure. This effort also supports the Administration's New Markets initiative. New Markets areas, such as the Delta, are among the few regions in the United States that have underutilized resources and can accommodate growth without inflationary pressure.

